

Message Text

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PAGE 01 EC BRU 00828 072026Z

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ACTION EUR-25

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INFO AMEMBASSY BONN

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AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

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TAGS: ETRD, EEC, IR

SUBJECT: EC-IRAN: EXPLORATORY TALKS ON A NEW TRADE AGREEMENT

REF: A. EC BRUSSELS 7106 (1973) B. EC BRUSSELS 094 C. EC BRUSSELS 744

2

(1973)(NOTAL)

1. SUMMARY: THE EC COMMISSION AND IRAN HAVE
OPENED EXPLORATORY TALKS WHICH COULD LEAD TO A NEW
TRADE AGREEMENT TO REPLACE A 1963 AGREEMENT WHICH
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PAGE 02 EC BRU 00828 072026Z

EXPIRED ON NOVEMBER 30, 1973 (SEE REFTELS). THE

INITIAL TALKS CONCENTRATED ON TRADE RELATED QUESTIONS, BUT THE PETROLEUM SUPPLY ISSUE WAS TOUCHED ON IN GINGERLY FASHION. THE COMMISSION INDICATED THAT PRESENT EC POLICY EXCLUDED THE POSSIBILITY OF A PREFERENTIAL TRADE AGREEMENT WITH IRAN. THE IRANIANS WERE ASKED TO PREPARE A LIST OF EXPORT PRODUCTS ON WHICH PARTICULAR TRADE PROBLEMS EXIST OR ON WHICH POTENTIAL PROBLEMS MIGHT ARISE AS IRAN INCREASES ITS RANGE OF EXPORTS UNDER ITS DEVELOPMENT PROGRAM. THE COMMUNITY EXPRESSED WILLINGNESS TO CONSIDER WAYS TO OVERCOME THESE PROBLEMS UNDER THE EC GSP SYSTEM OR BY NON-PREFERENTIAL MEANS. END SUMMARY.

2. AN EC COMMISSION DELEGATION HEADED BY DIRECTOR GENERAL FOR EXTERNAL AFFAIRS WELLENSTEIN AND DEPUTY DIRECTOR GENERAL ERNST HAVE MET WITH AN IRANIAN DELEGATION HEADED BY AMBASSADOR JOHANNHASHI IN AN INITIAL ROUND OF EXPLORATORY TALKS TO WORK OUT A NEW TRADE AGREEMENT BETWEEN THE EC AND IRAN. ACCORDING TO COMMISSION SOURCES WHO PARTICIPATED IN THE DISCUSSION, THE IRANIANS MADE THREE MAIN POINTS:

A. THAT THE OLD 1963 AGREEMENT NO LONGER MADE ANY SENSE: MOST OF THE LIMITED BENEFITS PROVIDED BY THAT AGREEMENT HAVING BEEN ERODED BY CONCESSIONS GRANTED BY THE COMMUNITY TO OTHER COUNTRIES OVER THE PAST DECADE.

B. THAT IRAN WAS DISCRIMINATED AGAINST AS COMPARED WITH THE MEDITERRANEAN COUNTRIES WHICH HAD SIMILAR DEVELOPMENT PROBLEMS BUT WERE GRANTED PREFERENTIAL ACCESS TO THE EC MARKET.

C. THAT IRAN SEEKS MORE BALANCED TRADE FLOWS WITH THE EC IN PRODUCTS OTHER THAN CRUDE PETROLEUM, I.E., IT WISHES TO OVERCOME THE TRADE DEFICIT THAT EXISTS WITH THE EC IF CRUDE PETROLEUM EXPORTS ARE EXCLUDED FROM BALANCE OF PAYMENTS CALCULATIONS.

3. THE COMMISSION AGREED WITH THE IRANIANS THAT THE OLD AGREEMENT NEEDED TO BE REVISED AND EXPANDED. IT EXPRESSED WILLINGNESS TO CONSIDER HOW THIS MIGHT LIMITED OFFICIAL USE

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PAGE 03 EC BRU 00828 072026Z

BE DONE. THE COMMISSION INDICATED THAT ITS PRESENT POLICY EXCLUDED THE POSSIBILITY OF A PREFERENTIAL TRADE AGREEMENT SIMILAR TO THOSE IN FORCE OR UNDER NEGOTIATION WITH MEDITERRANEAN COUNTRIES. THE COMMISSION ARGUED THAT IRAN IS A BENEFICIARY UNDER THE GSP SYSTEM AND THEREFORE ELIGIBLE TO EXPORT TO THE EC ON A NON-DISCRIMINATORY BASIS VIS-A-VIS THE MEDITERRANEAN COUNTRIES. THE COMMISSION REJECTED

ANY CALCULATION OF BALANCE OF PAYMENTS FIGURES WHICH EXCLUDED THE IMPACT OF THE PETROLEUM SECTOR.

4. THE IRANIANS ARGUED THAT THE EC GSP SYSTEM PROVIDED LIMITED BENEFITS, WAS RESTRICTED IN TIME AND COULD BE MODIFIED ON A UNILATERAL BASIS. THEY SOUGHT SOME ASSURANCE THAT AS THEIR INDUSTRIAL BASE EXPANDED AND EXPORT OPPORTUNITIES INCREASED THEIR EXPORTS WOULD FIND AN OPEN MARKET IN THE EC. THE COMMISSION, WHILE AGREEING THAT THEIR GSP SYSTEM WAS BASED ON THE AUTONOMOUS DECISION OF THE COMMUNITY, NEVERTHELESS EXPRESSED WILLINGNESS TO CONSIDER ANY SPECIFIC PROBLEMS WHICH IRAN MAY HAVE NOW, OR FORSEE IN THE FUTURE, WITH THE SYSTEM. THE COMMISSION SPECIFICALLY SUGGESTED THAT IRAN SUBMIT A LIST OF PRODUCTS ON WHICH PRESENT OR POTENTIAL DIFFICULTIES EXIST.

5. THE PETROLEUM QUESTION WAS DISCUSSED BUT IN RATHER OBLIQUE FASHION. THE IRANIANS UNDERSTOOD CLEARLY THAT THE COMMISSION' PRESENT RESPONSIBILITIES ARE PRIMARILY IN THE TRADE FIELD. THEY WERE AWARE OF THE INTERNAL EC DISCUSSIONS ON ENERGY POLICY. THEY EXPRESSED WILLINGNESS TO DEAL EITHER WITH THE COMMUNITY ON THIS MATTER OR WITH THE MEMBER STATES ON A BILATERAL BASIS, THOUGHT THEY RECOGNIZED THIS WAS AN ISSUE FOR THE EC TO DECIDE.

6. THE COMMISSION SUGGESTED THAT THE TWO SIDES CONSIDER AN ARRANGEMENT SIMILAR TO THAT RECENTLY NEGOTIATED WITH INDIA (REFTEL C). THE COMMISSION ARGUED THAT THIS WOULD PROVIDE A FLEXIBLE FRAMEWORK FOR THE DEVELOPMENT OF A VARIETY OF TIES BETWEEN THE LIMITED OFFICIAL USE

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PAGE 04 EC BRU 00828 072026Z

COMMUNITY AND IRAN. SUCH A FORMULA WOULD ALLOW FOR THE EVENTUAL INCUDION OF INDUSTRIAL COOPERATION AND THE HANDLING OF INVESTMENT QUESTIONS WHICH MIGHT BE RELATED TO PETROLEUM SUPPLY GUARANTEES.

7. THE NEXT ROUND OF EXPLORATORY TALKS HAS NOT BEEN SCHEDULED. IT DEPENDS IN PART ON THE IRANIANS SUPPLYING THE LIST OF PRODUCTS ON WHICH THEY HAVE, OR FORSEE DIFFICULTIES. WE ARE TOLD THAT COMMISSIONER SOAMES IS TRYING TO ARRANGE A MEETING WITH IRANIAN MINISTER OF ECONOMY ANSARI PRIOR TO THE NEXT ROUND OF TALKS.

8. COMMENT: COMMISSION SOURCES TELL US THAT THE IRANIANS APPEARED SOMEWHAT CAUTIOUS DURING THE INITIAL

ROUND OF TALKS PARTICULARLY WITH REGARD TO THE
HANDLING OF THE PETROLEUM ISSUE. THESE SOURCES
HINTED THAT MEMBER STATES MAY WELL HAVE WARNED THE
IRANIANS TO CONCENTRATE THEIR DISCUSSION WITH THE
COMMISSION ON TRADE RELATED QUESTIONS AND TO AVOID
ANY DETAILED DISCUSSIONS OF PETROLEUM SUPPLY ISSUES,
WHICH FOR THE MOMENT, MANY OF THE MEMBER STATES WISH
TO RESERVE TO THEMSELVES. END COMMENT. MYERSON

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